

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

Carson Energy, Inc.; Earl Carter Bills, Jr. and  
Jerrold S. Rothouse

Respondents

Order Number S-03-074-04-CO01

CONSENT ORDER AND ORDER VACATING  
SUMMARY ORDER TO CEASE AND DESIST  
ORDER NO. S-03-074-03-TO01

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions ("Securities Division") and Respondents, Carson Energy, Inc.; Earl Carter Bills, Jr. and Jerrold S. Rothouse, do hereby enter into this CONSENT ORDER in settlement of the above-captioned matter.

The Securities Division makes the following Findings of Fact and Conclusions of Law. Respondents consent to the entry of the Findings of Fact and Conclusions of Law solely for the purposes of this proceeding without admitting or denying them. Respondents assert that they sell joint venture interests that do not constitute securities and that they have prepared offering materials that disclose all material risks of the joint venture interests they offer and sell. Nevertheless, Respondents each acknowledge the Securities Division's jurisdiction over this matter and its authority to enter this order. Respondents each consent to the entry of this order and agree to abide by its terms.

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CONSENT ORDER

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

## **FINDINGS OF FACT**

### **I. RESPONDENTS**

1. Carson Energy, Inc. ("Carson Energy") is a Texas corporation with its principal place of business at 1114 Lost Creek Boulevard, Suite 215, Austin, Texas. Carson Energy is engaged in oil and gas exploration and development.

2. Earl Carter Bills, Jr. ("Bills") is president of Carson Energy.

3. Jerrold S. Rothouse ("Rothouse") is vice president of Carson Energy.

### **II. NATURE OF THE OFFERING**

In April 2003, Jerrold S. Rothouse "cold called" a prospective Washington investor who was 74 years old and had no specialized knowledge about the oil and gas industry and no previous experience investing in oil and gas wells. The prospective investor had about \$50,000 to invest and wanted to find a safe investment that would provide a regular monthly income.

Rothouse offered the prospective investor a working interest in an oil and gas well and some mineral leases as a joint venture interest in an oil and gas well drilling project.. Rothouse said that investor funds would be pooled together to purchase the working interest and to fund the drilling project. He said that investors would share in profits from the venture. Rothouse also said that the investment would not require any active participation by the prospective investor.

### **III. UNREGISTERED SECURITIES**

Carson Energy, Inc. has never registered securities for sale in the State of Washington.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

1 **CONCLUSIONS OF LAW**

2  
3 **I.**

4 The offer or sale of the oil and gas investments described in the Findings of Fact constitutes the offer  
5 or sale of a security as defined in RCW 21.20.005(10) and (12), whether in the form of a participation in an  
6 oil, gas or mining title or lease or in payments out of production under such a title or lease or in the form of  
7 an investment contract.

8 **II.**

9 The offer or sale of said securities was made in violation of RCW 21.20.140 because, as described in  
10 paragraph III of the Findings of Fact, no registration for the sale of Carson Energy, Inc. securities was on  
11 file with the Securities Administrator.

12 **CONSENT ORDER**

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14 Based upon the foregoing:

15 IT IS AGREED AND ORDERED that Respondents, Carson Energy, Inc.; Earl Carter Bills, Jr. and  
16 Jerrold S. Rothouse, and their agents and employees each shall cease and desist from offering or selling  
17 securities in violation of RCW 21.20.140, the registration section of the Securities Act of Washington.

18 IT IS AGREED AND ORDERED that if Respondents offer or sell securities in the State of  
19 Washington, they will file a Form D in accordance with ch. 460-44A of the Washington Administrative  
20 Code.

21 IT IS FURTHER AGREED that if Respondents offer or sell securities or joint venture interests in  
22 the State of Washington, they will limit their offers and sales to persons or entities whom they reasonably  
23

1 believe are "accredited investors," as defined in Rule 501(a) of Regulation D, promulgated under the  
2 Securities Act of 1933.

3 IT IS FURTHER AGREED that Respondents shall pay investigative costs of \$2,500 prior to the  
4 entry of this Order.

5 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.

6 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents each waive their  
7 rights to a hearing in this matter and to judicial review of this order and the Securities Division hereby  
8 vacates Summary Order to Cease and Desist #S-03-074-03-TO01.  
9

10 SIGNED this \_\_\_\_28th\_\_\_\_ day of \_\_\_\_October\_\_\_\_, 2004

11 Approved for entry by:

12  
13 /s/ Dan R. Waller  
14 Dan R. Waller  
15 Attorney for Respondents

16 Signed by:

17  
18 /s/ Jerrold S. Rothouse  
19 Jerrold S. Rothouse, individually

20 Signed by:

21  
22 /s/ Earl Carter Bills, Jr.  
23 Earl Carter Bills, Jr., individually

Signed by:

CARSON ENERGY, INC.

By /s/ Earl Carter Bills, Jr.  
Earl Carter Bills, Jr.  
President

SIGNED and ENTERED this \_\_29th\_\_ day of October, 2004

Michael E. Stevenson  
Assistant Director

Approved by:

Martin Cordell  
Chief of Enforcement

Presented by:

Janet So  
Financial Legal Examiner